

NEW HAMPSHIRE STATE LIQUOR COMMISSION

MINUTES OF MEETING – AUGUST 6, 2003

PRESENT: Chairman Anthony Maiola and Commissioners John Byrne and Patricia Russell; John Bunnell, Administrator of Marketing & Sales; Aidan Moore, Chief of Enforcement; Howard Roundy, Director of Information Technology; Peter Engel, Director of Store Operations; Richard Gerrish, Spirits Marketing Specialist; Nicole Horton, Wine Marketing Specialist; George Tsiopras, Chief Financial Officer; Al Picconi, United Beverages, Inc.

EXCUSED: Craig Bulkley, Bureau Chief of Administrative Services

I. FINANCIAL & ADMINISTRATIVE REPORTS

1. Financial Reports

A. Weekly, Y-T-D Sales Reports:

The SA1000 report for the week ending August 8, 2003 shows retail sales were up almost 14.2%, on-premise sales were up about .2%, off-premise sales were up 12.2%, and total aggregate sales also increased by 12.2%. The traffic count increased by 7,987, as did the average sales ticket by \$1.39.

The W-1 Total Weekly Sales Report for the same week confirms total sales were up 2.2% or \$854,064, as they did for the year by 9.73% or \$3,478,697. Wine sales rose 11.37% or \$345,203 for the week, and also increased almost 9.6% or \$1,473,634 for the year. Sales of spirits were up for the week by 12.83% or \$508,844, and also increased year-to-date by 9.84% or \$2,005,063.

B. Budget Reports:

George reported that 300 gift cards were issued by this time last year, versus 7,166 to date this year. An even larger increase is expected to occur during the bigger holidays.

The outstanding depletions and post-offs report was not available at the time of the meeting, as work is being done with the IT department to resolve minor invoice issues.

A report was distributed to each Commissioner relative to contested interest charges by Martignetti Companies. Based upon review of available information from accounting showing inconsistencies in application of rules, George felt it was fair to reverse the interest charges issued to Martignetti. He also suggested issuing new communications to all brokers under the Commission's signatures explaining the billing and payment processes. Commissioner Byrne said he felt decisions were being made at a lower level and not being communicated correctly to the brokers. It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the interest charges issued to Martignetti for the month of March for invoices due in May be waived. The motion was unanimously adopted.

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In discussion regarding the past due balance, the head of Phoenix Marketing has asked for an installment plan to be set up whereby the current balance would be paid monthly with \$125.00 added each month to pay off past balances. After much discussion, Chairman Maiola asked that this be tabled, pending further investigation.

2. IT Reports

Failure of the RiTA system last week involved about \$66 million. Administrative Services was informed that the box will not be run again until it is examined by an engineer. The system is now running on IT's own hardware. When received back from Administrative Services, the box will be tested for a two-week period.

An engineer from Johnson Controls was called in yesterday regarding condensation which resulted in water dripping near the computer. The heat was raised in the computer room, making for a more comfortable temperature. It was mentioned that some of the stores had been experiencing wiring problems, and some of the heating elements were stuck wide open.

II. MARKETING & SALES REPORTS

1. Store Operations:

Total sales for the week ending 8/3/03 were up 13.48% or \$756,510.08. Peter pointed out that the figures for Store #66 Hooksett were understated the previous week. There was some increased business activity in Cheshire County. Commissioner Maiola commented that Store #11 Lebanon was doing very well.

In response to inquiry from Commissioner Russell, Peter said that the break-in at Store #15 Keene was reported immediately.

As there have been some problems find retail help in the Nashua area, help wanted ads will be placed in local papers.

Some concerns have developed regarding demolition at the site for the new Brookline store. Commissioner Russell said she had spoken to someone in Keene this morning regarding a building permit for the new Keene store. Peter also explained that an occupancy permit cannot be issued until there is a "walkthrough" a building, usually a day before opening.

2. Purchasing Report:

There are a few out-of-stock situations, including for some wine items where are on the floor planner. Although not depleted in the stores yet, Rick Gerrish reported a shortage of 180 cases of Finlandia, 108 cases of Canadian Mist and 24 cases of Southern Comfort. The brokers involved have been contacted and are working on deliveries.

3. Merchandising Report:

A. SPIRITS:

1) Test Market Products:

a. Test Market Request (Romance Vodka):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve a request from Martignetti Companies of N.H./MHW, Ltd. for a new test market listing for Romance Vodka, 750ML size (assigned four-digit Code #3566), as by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

b. Test Market Request (Milagro Silver & Reposado Tequilas):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve a request from Martignetti Companies of N.H./MHW, Ltd. for new test market listings for Milagro Silver Tequila, 750ML size (assigned four-digit Code #3534), and Milagro Reposado Tequila, 750ML size (assigned four-digit Code #3532) as by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

2) Special Offers for October 2003 (64 items – United Beverages, Inc.):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve special offers from United Beverages, Inc., based upon depletions (without matching state funds) of sixty-four (64) spirit items, to be featured on sale during October 2003, as recommended by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

B. WINES:

1) New Wine Product Listings (27 wine codes):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve full distribution for twenty-seven (27) wine codes, each of which earned at least \$6,500.00 during a twelve-month period, mainly in the retail and on-premise markets, to be made available for all stores to order, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

2) Special Offers for October 2003:

a. 12 items – Charles Saunders/Wineberries:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve special offers from Charles Saunders/Wineberries, Ltd., based upon depletions of twelve (12) wine codes, to be featured on sale during October 2003, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

b. 30 items – Pine State Trading Co./E & J Gallo Winery:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve special offers from Pine State Trading Co./E & J Gallo Winery, based upon depletions of thirty (30) wine codes, to be featured on sale during October 2003, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

3) Jorge Ordonez & Eric Solomon Feature Program:

Commissioner Byrne requested that this item be removed from the agenda, to be discussed in Executive Session.

4) Recommended Allocated & Restricted Wines for Distribution to Selected Stores (8 items):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve eight (8) allocated and restricted wine codes for distribution to selected stores, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

5) Primary Source Submissions (7 items – primary source; 21 items – exclusive agent; 12 items – imported):

It was moved by Commissioner Byrne, seconded by Russell, that the Commission approve the listing of seven (7) wine codes which are from primary source; twenty-one (21) wine codes which are not from primary source, but are offered by the exclusive marketing agent; and twelve (12) wine codes which are not from primary source, but are imported, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

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- 6) Tabled Item (revised offers from M.S. Walker – tabled from 7/16/03):

Commissioner Byrne requested that this item be removed from the agenda, to be discussed during Executive Session.

III. ENFORCEMENT & LICENSING REPORTS – None.

IV. CHAIRMAN’S REPORT & LATE ITEMS

1. Bailment Requests:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve all previously reviewed bailment requests dated July 31 through August 6, 2003. The motion was unanimously adopted.

2. Coupon Approvals: None.

3. Late Items:

- a. Close-Out Purchase (Revised) 8-5-03 (tabled from 7/23/03, Item #5-A):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission remove from the table and approve a revised offer from United Beverages, Inc./International Brands of a close-out purchase for delisted Code #1043, Rutherford 12-Year Old Scotch Ceramic Decanter, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

Anthony C. Maiola, Chairman

John W. Byrne, Commissioner

Patricia T. Russell, Commissioner

/D. Hartford

